

Before the

TENNESSEE REGULATORY AUTHORITY

In Re: Universal Service for Rural Areas-
The Generic Docket

Docket No. 00-00523

DIRECT TESTIMONY
of
R. TERRY BUCKNER

November 14, 2000

1 **Q. Please state your name for the record.**

2 A. My name is Robert T. Buckner ("Terry").

3

4 **Q. By whom are you employed and what is your position?**

5 A. I am employed by the Consumer Advocate and Protection
6 Division ("CAP") in the Office of the Attorney General and Reporter
7 for the State of Tennessee as a Senior Regulatory Analyst.

8

9 **Q. How long have you been employed in the utility industry?**

10 A. Over twenty years. Before my employment with the Office of
11 the Attorney General and Reporter, I was employed with the
12 Tennessee Public Service Commission ("Commission") as a financial
13 analyst for approximately six years. Prior to my employment with
14 the Commission, I was employed by Telephone and Data Systems
15 ("TDS") for eight years and the First Utility District of Knox County
16 for three years.

17

18 **Q. What is your educational background and what degrees do you**
19 **hold?**

20 A. I have a Bachelor of Science degree in Business Administration
21 from the University of Tennessee, Knoxville with a major in
22 Accounting. I am also a Tennessee Certified Public Accountant and a

1 member of the American Institute of Certified Public Accountants.
2 Additional education background with respect to my qualifications is
3 provided in Exhibit No. 1 (Attachment A).
4

5 **Q. Would you briefly describe your responsibilities as a Senior**
6 **Regulatory Analyst since your employment with the CAP?**

7 A. I prepared testimony and exhibits as an employee with the
8 Commission before becoming a member of the CAP. My
9 responsibilities have not changed significantly since becoming
10 employed with the CAP.
11

12 **Q. What is the purpose of your testimony?**

13 A. The purpose of my testimony is to present responses to the
14 Tennessee Regulatory Authority ("TRA") on their Preliminary Issues
15 as outlined in this Docket.
16

17 **Q. Which services should be supported by an intrastate Rural**
18 **Universal Service System?**

19 A. The Telecommunications Act of 1996 Section 254(c)(1) and
20 FCC Docket #97-157 defined universal service to include: (1) Voice
21 grade access to the public switched network, i.e. dial tone; (2) Touch-
22 tone signaling; (3) Single-Party service; (4) Access to emergency

1 services, including access to 911 and E911, where available; (5)
2 Access to operator services; (6) Access to long distance services; (7)
3 Access to directory assistance; and (8) Limits on basic long distance
4 service fees for qualifying low-income consumers. In Louisiana,
5 directory distribution, initial line connection service, access to the
6 telephone relay system, access to customer support services, and
7 access to a calling plan were enumerated by the PSC as to be included
8 in universal service. Certainly, the TRA's findings in Generic Docket
9 #97-00888, Phase I Order, that Lifeline, Link-Up, and public interest
10 payphones should be established as well. Existing Extended Area
11 Service ("EAS") in Tennessee should also be considered for support
12 by the Rural Universal Service System.

13
14 **Q. Should advanced telecommunication services be supported by an**
15 **intrastate Rural Universal Service Fund?**

16 A. Yes, advanced telecommunication services should be available
17 to all counties within the state of Tennessee. Therefore, to the extent
18 necessary, the Rural Universal Service Fund should support access of
19 these services to all consumers within the state.

1 **Q. Is the Carrier of Last Resort designation necessary when**
2 **implementing a Rural Universal Service Fund? If so, how should**
3 **Carrier/s of Last Resort be determined?**

4 A. Yes. As outlined in T.C.A. §65-5-207(a), “carrier-of-last-resort
5 obligations must be maintained.” While this statement is explicitly
6 applicable to non-rural carriers whose markets are open to local
7 competition, it could be implicitly applied to rural carriers as well.
8 Since there is little or no evidence of competition in the rural areas,
9 the carrier of last resort designation would be the rural incumbent
10 carrier with a certificate of service for a specific territory.

11

12 **Q. Is a Rural Universal Service fund necessary to ensure**
13 **affordability of rates in rural areas?**

14 A. Yes, depending upon the actual rates that BellSouth will charge
15 effective January 1, 2001 and pay the Coalition members per minute
16 of use for terminating calls, local service rates will become less
17 affordable in rural areas if a Rural Universal Service Fund is not
18 established.

19

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1 **Q. How should affordability of rates in rural areas be determined?**

2 A. The FCC has stated that the, “Factors used to determine
3 affordability include the number of subscribers in a particular
4 location, the per capita income on a local or regional level, and the
5 scope of the local calling area.” Some CLECs in non-rural areas are
6 offering voice service for free for a period of time to entice anyone to
7 switch their service. Cisco Systems spokesman, John Chambers has
8 proffered that “voice will be free.”¹ This statement implies that the
9 economic value of local service is headed toward zero in non-rural
10 areas where broadband services exist. Although the local service
11 rates in rural areas are relatively low in comparison to rates for non-
12 rural areas for the same level of service, any increases to rural
13 customer local exchange rates would further disengage them from
14 their urban contemporaries. For example, the local exchange rates in
15 Hancock County are apparently not viewed as affordable by its
16 constituents because the penetration rate is so low there.² In many
17 jurisdictions, broadband service deployment is directed first to
18 densely populated non-rural areas. Therefore, the affordability of
19 local service rates in rural areas should not be based solely on a
20 comparison with the local service rates in urban areas.

¹Wall Street Journal, November 1, 2000, article by Holman W. Jenkins Jr.

²TRA Report, Tennessee’s “Digital Divide.”

1 **Q. How should implicit and explicit subsidies in the current rates of**
2 **rural providers be determined?**

3 A. In Phase I of TRA Generic Docket #97-00888, the TRA
4 addressed the processes for identifying “implicit subsidies” for non-
5 rural companies. However, the determination of subsidies for the
6 Coalition carriers is not intrinsically necessary because of the lack of
7 local service competition or the pursuit of local competition by the
8 Coalition. The use of a Rural Universal Service Fund would provide
9 explicit subsidies to the current rates of rural providers and would not
10 be contrary to the 1996 Telecommunication Act or the T.C.A.

11
12 **Q. Is there a statutory requirement or need to remove implicit**
13 **subsidies from rates of rural providers?**

14 A. No. There is no statutory requirement to remove subsidies from
15 rates of rural providers. The Telecommunications Act of 1996 calls
16 for the elimination of implicit rate subsidies for non-rural companies.³
17 Also, in T.C.A. §65-5-207(c), alternative universal support should be
18 created “only if it determines that the alternative will prevent the
19 unwarranted subsidization of any telecommunication service
20 provider’s rates by consumers or by another telecommunication
21 service provider.” Additional language says that such universal

³FCC Docket #97-157, Section 1(9).

1 support should “protect consumer welfare.” Here again, the statutory
2 language is directed towards carriers whose markets are open to
3 competition.

4
5 **Q. Are any changes in state laws or TRA rules needed to implement**
6 **a Rural Universal Service Fund?**

7 A. Existing state laws and TRA rules implicitly allow the
8 implementation of a Rural Universal Service Fund. There are,
9 however, state laws or TRA rules applicable to setting rates for
10 telephone cooperatives. Even if it was in the telephone cooperatives
11 best interest, it remains unclear whether a voluntary acquiescence by
12 the telephone cooperatives to a Rural Universal Service Fund as
13 administered by the TRA is permitted by law.

14
15 **Q. What cost model/method and methodology should be adopted to**
16 **calculate needed universal service support in rural areas? (i.e.**
17 **forward looking, TELRIC, embedded, etc.)**

18 A. Universal service support should be ideally based on cost to
19 ensure that the support is just and reasonable. The FCC has
20 recommended several core principles in the development of a
21 universal service support methodology.⁴ The methodology should be

⁴FCC Connecting the Globe: VI. Universal Service p.3

1 “transparent” or “made available to the public in a timely manner.”
2 Secondly, the methodology should “not discriminate on the basis of
3 facilities, services, class of customers, technology used, class of
4 service offered or to deliver service.” Thirdly, “competitive neutrality
5 should eliminate any advantage of one service provider over another
6 and does favor one technology over another.” Finally, “non-
7 burdensome application should be sought to ensure that a large class
8 of telecommunication providers bears the cost of contributions to the
9 universal service support fund and that the administrative costs of
10 universal service mechanisms are reasonable.” Based on these core
11 principles, the FCC has provided universal service to rural carriers
12 based on their embedded costs. The FCC began using forward-
13 looking economic costs for non-rural carriers in 1999. The FCC
14 computer model, however, has been deemed by one commissioner as
15 “Unwieldy, Easily Manipulated, and Will Require Constant
16 Maintenance.”⁵ Consequently, the Coalition proposed methodology
17 seems reasonable given the time constraints, because it appears to
18 meet the FCC core principles and their distinctive view of rural
19 carriers.

20

⁵Press Statement of Commissioner Furchtgott-Roth Regarding FCC’s October 21, Universal Service Orders dated October 21, 1999.

1 **Q. Should the revenue benchmark approach as adopted by the TRA**
2 **for non-rural providers be used for identifying high cost**
3 **Universal Service support in areas served by rural carriers?**

4 A. No. In general terms, the rural carriers have neither the
5 resources nor the expertise to develop a forward-looking costs model
6 for their wire centers. Additional costs should not be incurred to
7 manufacture a hypothetical network model when the rural carriers
8 true concern is to provide universal service based on their actual costs
9 and investment.

10

11 **Q. Should wireless-to-wireless calls and calls with wireless**
12 **termination be included in the Rural Universal Service Fund?**

13 A. Yes, many of the small LECs are currently receiving compensation
14 through the BellSouth toll settlement agreement for terminating
15 minutes of use from wireless callers.

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Attachment A

Robert T. Buckner (Terry)

Senior Regulatory Analyst

Office of the Attorney General for the State of Tennessee

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Additional Education Background:

Micro-Computer Training, **University of Wisconsin, Madison**

Cost Separations School, **United States Telephone Association, San Diego**

Rate Case School, **Arthur Andersen LLP, Chicago**

Telecommunications Conference, **University of Georgia, Athens**

NARUC Conference, **Michigan State University, Lansing**

Management Training Seminar, **Vanderbilt University**

Interstate Access Settlements, **National Exchange Carrier Association**

SEARUC Conferences, **Birmingham, AL. and Charleston, S.C.**

Telephone Plant Accounting Program, **Ernst and Young LLP, Atlanta**

Certificate of Service

I hereby certify that a true and correct copy of the Petition to Intervene was served on parties below via U.S. Mail, postage prepaid, this November 14, 2000.

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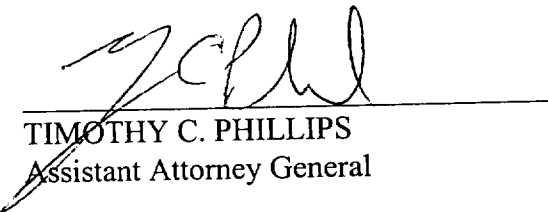
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